

Directive No. 42

CERTIFICATE OF INSURANCE

July 1, 1981

It has come to my attention that certain lending institutions are requiring insurance agents to sign a so-called "Certification of Insurance" on behalf of the insurance company providing insurance on mortgaged property. This agreement requires that the agent on behalf of the insurance company notify the mortgage company should the insurance policy *terminate for any reason*.

The so-called "Certification of Insurance" is in reality merely a certification that an insurance policy exists. However, by requiring the agent to agree to the terms of the certificate on *behalf of the company*, it appears that this certificate may be attempting to amend or endorse the policy listed on the form. In order to effectuate an endorsement or an amendment to the standard fire insurance policy provisions outlined in Section 691F of the Louisiana Insurance Code, the proposed policy endorsement or amendment must be filed by the company and approved by the Commissioner of Insurance. There is no indication in the records of the Commissioner of Insurance that a policy endorsement requiring the insurer to notify the lending institution of the termination of coverage for any reason has ever been filed with and approved by the Commissioner of Insurance. Consequently, the so-called "Certification of Insurance" used by the lending institution does not constitute a binding policy amendment.

Further, it is possible that the refusal to accept property insurance contracts which are not accompanied by this so-called "Certification" might be a violation of the Unfair Trade Practices Act. Section 1214A(9) sets forth the specific reasons for which a mortgagee may refuse to accept a policy of insurance provided by a mortgagor pursuant to a loan agreement.

All agents are directed to discontinue signing this type of certification.

Sherman A. Bernard
COMMISSIONER OF INSURANCE